

HOUSE BILL REPORT

HB 2624

As Reported by House Committee On: Ways & Means

Title: An act relating to the administration of medical expense plans for state government retirees.

Brief Description: Concerning the administration of medical expense plans for state government retirees.

Sponsors: Representatives Hunt and Taylor; by request of Office of Financial Management.

Brief History:

Committee Activity:

Ways & Means: 1/30/12, 2/1/12 [DP].

Brief Summary of Bill

- Moves the authority to implement the state employee Medical Expense Plan from the Human Resources Director to the Director of the Health Care Authority.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass. Signed by 27 members: Representatives Hunter, Chair; Darneille, Vice Chair; Hasegawa, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Carlyle, Chandler, Cody, Dickerson, Haigh, Haler, Hinkle, Hudgins, Hunt, Kagi, Kenney, Ormsby, Parker, Pettigrew, Ross, Schmick, Seaquist, Springer, Sullivan and Wilcox.

Staff: David Pringle (786-7310).

Background:

State agencies are authorized to provide a Medical Expense Plan (MEP), also known as Voluntary Employees' Beneficiary Association (VEBA), to eligible employees that provides for the reimbursement of eligible medical expenses. Instead of a cash out of sick leave at

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retirement, employers may deposit the funds in a MEP if certain requirements of state and federal law are met.

In order for an employer to make deposits to a MEP, the employer must consult with an eligible employee group and obtain a signed agreement with each member of the group. The majority of eligible employees must elect to participate in the MEP, in which case all must participate or forfeit their sick leave cash out and balance, otherwise none of the eligible employees may participate. The election to participate in the MEP remains in effect during the calendar year for which the vote was taken. Participating employees must also agree to hold the state harmless in the event of federal income tax assessments being levied on funds placed into the plan, as required by federal law.

Retiring state employee MEP or VEBA contributions are administered by a private firm, the VEBA Trust, through a services contract formed with the Department of Personnel in 1999. In addition to state agencies, the VEBA Trust administers accounts for approximately 40,000 employees and retirees of Washington school districts and public higher education institutions. The contract with the VEBA Trust is currently managed by the Health Care Authority.

Summary of Bill:

Authority to adopt procedures for the implementation of the Medical Expense Plan is changed from the Department of Personnel Human Resources Director to the Director of the Health Care Authority. An obsolete reference to the establishment of bargaining units of classified employees by the Director of Personnel is changed to the Public Employment Relations Commission.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The Office of Financial Management (OFM) is trying to transfer this authority in a way consistent with the Department of Enterprise Services agency reorganization bill passed last year. The OFM is not trying to change any policy here, just move this to the most capable and appropriate administrative agency—in this case the Health Care Authority.

(Opposed) None.

Persons Testifying: Julie Murray, Office of Financial Management.

Persons Signed In To Testify But Not Testifying: None.